

Digital cameras do not qualify as production related tangible personal property for purposes of using Manufacturer's Purchase Credit. See 86 Ill. Adm. Code 130.331. (This is a GIL).

September 4, 2002

Dear Xxxxx:

This letter is in response to your letter dated June 12, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/Laws/regs/part1200/>.

In your letter, you have stated and made inquiry as follows:

We are requesting a determination regarding whether our purchase of equipment qualifies as production-related tangible personal property eligible for offsetting use of manufacturer's purchase credit. Specifically, we need to determine if digital cameras purchased to produce digital photography/photographs used in newspaper production qualify for Manufacturer's Purchase Credit (MPC) offset.. The taxpayer believes that the equipment qualifies as production-related tangible property, as the photos produced by the cameras are used in the production of the newspaper. The pictures taken by the digital cameras are saved into a CD-ROM and are integrated directly into the computerized press production.

While it is possible to argue that the digital photography is 'an integral part of the print process', that is not our specific request. The taxpayer has a vast quantity of unused MPC's. A favorable determination that this equipment can be purchased without taxation because of MPC offset is our goal. We want to use the MPC's to satisfy the Illinois sales tax on the purchase of the equipment. We would supply the seller with Form ST-16-C and then complete Form ST-17 to report the annual credits used.

If you need any additional information, please call me.

#### **DEPARTMENT'S RESPONSE:**

Please find enclosed a copy of the Department's rules (86 Ill. Adm. Code 130.331) regarding the use of Manufacturer's Purchase Credit (MPC). Based upon the limited information contained in your letter, we do not believe that the digital cameras qualify as production related tangible personal property for purposes of using MPC. The digital cameras are used for original image creation. The

original digital image creation is prior to the graphic arts process and would not be considered part of the graphic arts production process. In regards to your suggestion that the digital cameras would qualify for the graphic arts exemption itself, please note that subpart (b)(4)(A)(iii) of the enclosed copy of 86 Ill. Adm. Code 130.325 regarding the graphic arts exemption states:

- iii) Digital cameras do not qualify if they are used primarily to create an original image that will later be reproduced by a graphic arts process.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b) described above.

Very truly yours,

Terry D. Charlton  
Associate Counsel

TDC:msk  
Enc.